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Faculty Working Papers

THE FUTURE OF MARKET RESEARCH PRODUCTS AND MARKETS

Jagdish N. Sheth, Professor, Department of Business Administration

#554

College of Commerce and Business Administration

University of Illinois at Urbana-Champaign

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THE FUTURE OF MARKET RESEARCH PRODUCTS AND
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Summary:
       The fundamental proposition of the paper is that we must look at the demand-oriented
factors which generate the need for a particular market research product or market as well
as supply-oriented factors which indicate the extent to which market researchers can
efficiently satisfy the demand. The demand-oriented factors are anchored to the concept
of product life cycle and the degree of maturity of a market research product or market.
The supply-oriented factors are anchored to the concept of economics of scale and cost
effectiveness of a research product or for a research market.
       After providing a classification of all market research products and placing them in
a demand-supply matrix, the paper indicates that the future of qualitative research, audit
research and data analysis research is bright. On the other hand, the future of library
research is not very bright. In between, survey research, field experiment research and
simulation research are likely to grow on a more selective basis.
       A similar analysis of research markets in terms of need for research and cost effec-
tiveness of providing market research indicates that the future growth of market research
is most likely to come from research markets of social problems, professional services,
cross-national marketing, new concepts testing, industrial marketing and promotion and
media management. It is least likely to come from distribution management, pricing
strategies and test marketing. In between, selective applications of research to consumer
behavior, retailing, advertising copy and small business markets will provide further
growth in market research.

THE FUTURE OF MARKET RESEARCH
PRODUCTS & MARKETS

BY JAGDISH N. SHETH
UNIVERSITY OF ILLINOIS

DEMAND AND SUPPLY ANALYSIS OF MARKET RESEARCH PRODUCTS

Just as the medical doctor rarely prescribes medication for him-
self, so also it would seem that market researchers seldom utilize
research tools and techniques to analyze, understand, and project
the future of market research itself. For example, we rarely see
applications of fancy forecasting techniques to estimate short and
long term trends in market research either at the aggregate expen-
diture levels or at the disaggregate levels of specific tools and
techniques. The only exception seems to be a time series analysis
of market research expenditures in Great Britain and The Netherlands
by Van der Zwan (1978).

Similarly, I have yet to see the application of perceptual mapping
techniques to compare the similarities and differences among var-
ious market research products (methods) as perceived by the re-
searchers. Finally, there seems to be no application of qualita-
tive research to understand the researcher's attitudes, motivations
and values related to market research. Again, the only exception
seems to be a very recent study reported by Myers, Greyser and
Massy (1979).

It is obvious that by looking inwards and applying some of the
market research techniques to market research itself is likely to
be insightful and healthy. Accordingly, the purpose of this re-
search paper is to speculate on the future of market research pro-
ducts (methods) and markets (applications) by utilizing the prin-
ciples of long range planning and product life cycle analysis.

Market research as a product/service can be examined in terms of
its life cycle. By and large, market research, as we know and prac-
tice today, is primarily a post-war phenomenon. During the last
thirty years or so it has, therefore, definitely outgrown the em-
bryonic stage. Some may even contend that it is about to pass
through the growth stage and reach the maturity stage. This is
certainly debatable. Furthermore, it is diffucult to make this

judgment at the aggregate level and, therefore, for all types of market research. It is very reasonable to presume that some market research products (methods) may have already reached the point past the maturity stage and may be even showing signs of aging, while other market research products (methods) may be still at the embryonic stage on the product life cycle curve. It is, therefore, important that we analyze the future of market research not at the aggregate level but in terms of specific market research products. This requires a classification scheme with which to disaggregate market research products. Unfortunately, many existing classifications such as qualitative vs. quantitative research, (Goodyear, 1978), or descriptive vs. interpretative research (Dichter, 1978) or diagnostic vs. prognostic research (Kotler, 1977) are not disaggregate enough to fully capitalize on the application of the life cycle concept.

Therefore, the following classification of market research products is especially generated for this paper. The classification is based on current market research practice and it is not claimed to be the best typology or even a mutually exclusive and an exhaustive classification. It is, however, disaggregate enough to allow us to speculate the future of market research products in the next decade.

Market research products consist of the following types:

1. Survey Research. All types of surveys utilizing structured questions which require no content analysis, and answers can be directly coded into numerical values are included in this classification whether it is based on personal interviews, telephone interviews, mail surveys or some hybrid data collection procedure using electronic devices. Public opinion research and omnibus surveys are also included in this category.

2. Audit Research. All market research products which continuously gather from the same entities information which is more factual or behavioral than attitudinal or psychological information by diary or some other recording device are included in this category. Consumer panels, retail store audit panels, and media audit panels are all a part of audit research.

3. Library Research. This includes gathering and summarizing published data provided by governmental agencies, trade associations and academic research institutions as well as bibliographic compilation of prior research in a specific area. Examples include Census Bureau data, United Nations data, and many of the data actives in university libraries and research institutes.

4. Qualitative Research. All market research products generating unstructured responses in a personal or group interview setting which cannot be directly quantified without prior content analysis are included in this category. Thus, many areas of motivation

research, interpretative research, focus group interviews and sub-jective forecasting techniques are part of this classification.

5. Psychophysical Research. This consists of all market research products which rely on physiological responses such as heart beat, perspiration rate, pupil dialation and the like or measure psychological responses to physical stimuli are included in this category. We also include different types of laboratory research as part of psychophysical research for this classification.

6. Field Experiments. This category of market research products including testing and monitoring of market responses as a function of experimental manipulation of one or more marketing mix variables. It also includes test marketing research.

7. Heuristic Simulation Research. This category includes computerized simulations of the marketing processes as they affect market behavior based on some heuristic models of marketing. Many of the store or warehouse location models, market share models, advertising allocation models and other on-line interactive computer simulations are included in this category. The common denominator is the managerial rule of satisficing rather than optimization in allocation of marketing resources to achieve a desired goal or objective.

8. Mathematical Modeling Research. Unlike the heuristic simulation research, the mathematical modeling research attempts to apply the principles of optimization by building normative models of how the marketing management function should operate and by presuming certain laws of behavior. Examples of mathematical modeling research include the stochastic models of market or buyer behavior, mathematical programming of media schedules, and the marketing mix models. It typifies the applications of management science techniques in marketing research.

9. Data Analysis Research. This includes statistical analyses of market data with the use of univariate, bivariate and, more recently, multivariate techniques. The primary emphasis in these market research products is to provide a better diagnostic picture of the market realities by separating signals from noise in the data. Examples includes cross tabulations, correlation-regression analysis, AID analysis, factor analysis, discriminant analysis, and perceptual mapping techniques. A large part of data analysis research consists of statistical forecasting techniques such as exponential smoothing, trend analysis, and the more recent Box-Jenkins techniques of time series analysis.

This classification of market research into nine categories provides sufficient disaggregation to examine their future growth in light of demand-oriented factors.

DEMAND-ORIENTED FACTORS

In my opinion, the future growth of the nine market research products is not likely to be equal because the following four determinants of demand for a market research method will have different effects both in magnitude and direction of demand.

The first factor is the degree of maturity of marketing as a discipline. Marketing is, by no means, an exact science like physics and mechanics. Nor is it an area of investigation at its infancy similar to international business, business policy or social work. It is somewhere in between infancy and maturity stages. This will clearly generate bias in favor of certain techniques and against others.

A second factor affecting demand for market research products is managerial practice. By and large, market research is treated as an input to management decision making and, therefore, certain research products will be considered more relevant and directly useful than others at a given level of managerial practice. It is not unreasonable to state that the managerial practice is still highly intuitive, judgmental and under considerable time stress.

A third factor is technology. As we adopt more and more electromechanical or electronic technology in market research such as computer data processing, automatic recording of answers, two-way video communication devices, cable television, and highly sophisticated laboratory equipments, it is likely to make certain market research products obsolete and others feasible to practice.

The fourth factor affecting market research products is public opinion. As we conduct more and more research on the same population, we should expect some wareout effect. Different research products will have different levels of wareout effect and, therefore, negative public opinion will be different in levels. Eventually, we must consider government intervention, rules and regulations being generated by negative public opinion toward specific methods of market research.

Examination of each of the nine market research products in light of the above four criteria suggests that survey research, mathematical modeling and library research will experience low future growth whereas qualitative research, data analysis research and simulation research will experience high growth rate in the future. In between, audit research, field experiments and psychophysical research are likely to experience at best average growth rate in the future. A more detailed analysis is provided below.

LOW GROWTH PRODUCTS

Survey research has been extensively used in the past and has al-

ready lived a full life. The potential for future growth is, therefore, limited. Furthermore, the rising interviewing costs especially for personal interviews has not helped the situation. Finally, it seems that users of survey research are looking for more than percentages, averages and cross-tabulations to make the information more useful in decision making process. Unfortunately, most survey research suppliers do not seem to have the professional expertise in data analysis to provide this additional benefit.

Mathematical modeling research is likely to have limited future growth for basically three reasons. First, the discipline of marketing has not become a precise science unlike economics, engineering and physics to be subjected to axiomatic analysis required in mathematical modeling research. The empirical, exploratory and trial-and-error or inductive approach to marketing is likely to continue for quite some time which will, therefore, inhibit mathematical modeling research. Second, mathematical models are, unfortunately, perceived to be too complex by the users. So long as we continue to educate and train the line management in descriptive rather than analytical thinking or in qualitative rather than quantitative decision making process, this gap between the users and the producers of mathematical modeling research is likely to persist. This is further compounded by the fact that the users are more powerful than the preparers in the organizational setting. Finally, certain cost characteristics of mathematical modeling research also tend to lessen its growth. For example, it requires a high degree of fixed cost, long lead time and a higher degree of uncertainty about its payoff to management.

Library research is also likely to experience low growth for at least two reasons. First, there is virtually an information explosion. This has resulted in an "information overkill" phenomenon Furthermore, often information on the same topic is not consistent across different sources. Secondly, the cost of retrieving and summarizing information from secondary sources has been rising rapidly since it requires considerable clerical or electronic workforce.

HIGH GROWTH PRODUCTS

In contrast to survey research, mathematical modeling and library research, it would appear that qualitative research, data analysis research and heuristic simulation research are likely to experience high growth in the near future. Again, different factors seem to contribute high growth for each of these three market research products.

Qualitative research is likely to experience high growth for at least three reasons. First, qualitative research seems to have finally achieved the divorce between methodology and theory of psychoanalysis. In the process, it has become a relevant research

product for understanding normal market behaviors as opposed to abnormal or deviant market behaviors, and the arena of normal market behavior is considerably bigger than deviant market behavior especially in the area of consumer behavior. Second, qualitative research has become more sophisticated and objective over the years. For example, there are numerous standardized guidelines for various stages in a focus group interview to clearly discriminate good from poor research. Qualitative research, in essence, is becoming more and more a standardized art rather than depending on the subjective creativity of a single individual researcher. Finally, qualitative research is increasingly used as an antecedent stage to large scale survey research in addition to its traditional use of uncovering hidden motivations.

Data analysis research is likely to experience high future growth for at least four reasons. First, the spectacular increase in information from secondary and public sources available at nominal or no cost is likely to tempt researchers to statistically analyze and summarize it. In other words, lack of good representative large sample data as a barrier to data analysis research is increasingly removed from the scene. Second, the recent growth in strategic planning has created a need for greater and better market research especially in the area of forecasting. Since it requires examination of past trends and economic indicators, the need for data analysis research is likely to increase in the future. Third, data analysis is relatively cheap. The availability of the computers and the canned statistical packages has literally brought down the cost of statistical computations to such a low level that it is within the reach of most users. Finally, there is a greater degree of awareness among the users that statistical analysis of the data may provide insights about the market realities which may be otherwise ignored or lost in the mass of raw information.

The high future growth projected for heuristic simulation research is for at least two reasons. First, companies are more hesitant to experiment different strategies in the market place due to cost and negative public opinion problems. On the other hand, a manager must reduce vast number of strategic options in order to make the decision. Simulation research is perceived to be the next best thing for this purpose. It is hoped that the marketing manager, by playing "what if" game with a computerized simulation of market behavior can at least discard the obviously incompatible or wrong decisions, and thereby narrow down his choice to a handful of options which he can then decide on the basis of experience and judgment. Second, heuristic simulations tend to match the managerial practice and philosophy in that both tend to argue for the satisfying principle as being more realistic to aspire in light of the complexity and uncertainty of options and outcomes. In many ways, therefore, simulation research is more user oriented than mathematical modeling research. Hence, it is accepted as a better alternative to model building.

AVERAGE GROWTH PRODUCTS

Audit research, field experiments research and psychophysical re-
search are all likely to experience average future growth. Again,
different sets of factors tend to make their future growth average.

Audit research is likely to have average growth primarily because
it has been already extensively used in media and distribution re-
search. However, unlike survey research, it still has growth po-
tential with respect to product and pricing areas as well as the
general area of corporate accountability and social indicators.
Secondly, audit research is more problem oriented than survey re-
search. It is, therefore, likely to be more specialized and speci-
fic to different marketing functions. This is also likely to be a
potential source for future growth for audit research as many com-
panies and government organizations implement zero base budgeting
procedures.

Field experiments research is likely to have an average future
growth due to compensating and conflicting factors. On the one
hand, field experiments are real, precise and almost the ideal
research method for testing alternative strategic hypotheses. On
the other hand, field experiments tend to be costly, intrusive and
likely to generate negative public opinion in the process of market
experimentation.

Psychophysical research will also experience only average growth in
the future due to at least three factors. First, it is primarily
a laboratory based research which tends to be perceived as artifi-
cial, contrived and not generalizable to the market realities.
Second, it is very expensive. For example, the use of pupil dial-
ation in evaluating television programs requires considerable degree
of electro mechanical apparatus. Third, our understanding of the
determinants of physiological responses is still very tentative.
We still don't know the psychological determinants of bodily func-
tions and responses.

SUPPLY-ORIENTED FACTORS

It is not sufficient to examine the future growth of market research
strictly in terms of demand-oriented factors because market research
must be provided by business organizations and researchers who must
have the capabilities and desires to provide specific types of mar-
ket research. This research attractiveness favoring one research
product (method) and inhibiting other products is a function of
three supply-oriented factors.

The first factor affecting the supply of market research products
is capitalization. Different market research products require
different amounts of fixed and working capitals. For example,
qualitative research requires very little fixed capital as compared

to psychophysical research. Furthermore, some research products may need very little fixed capital due to subcontracting or sharing common facilities. This is very typical in survey research and audit research, for example. It is obvious that higher the capitalization for a research product less will be research attractiveness in terms of making the business entry more difficult.

A second factor affecting the supply function is the degree of <u>technical expertise</u> required in a market research product. For example, mathematical modeling research is highly technical as compared to library research or even survey research.

The third factor is <u>market acceptance</u> of a research technique. If a research product is highly familiar to the users and if it is positively evaluated, the task of marketing and selling that product is relatively easy. For example, there is greater acceptance of sampling techniques than that of mathematical programming. In short, market acceptance will vary among research products which will make them more or less attractive in terms of the supply function.

Based on the supply-centered factors, it is possible to classify the nine market research product as high, low or medium in business attractiveness for a market researcher.

It would appear that qualitative research, audit research and survey research are likely to be high on business attractiveness primarily because a market researcher knows the state of the art for these research products, and they are relatively easier to market due to greater acceptance by the users of market research. Thus, it is possible for a research supplier to adequately estimate his cost function for these research products and, therefore, can easily calculate his price schedules and assess whether he can be competitive with other suppliers.

On the other hand, simulation research, psychophysical research and mathematical modeling research are all likely to be low in business attractiveness for a number of reasons. First of all, they all require a high degree of technical and specialized professional skills which is not available in most market research organizations. Second, it is hard to sell these research products to marketing managers because they are perceived to be too sophisticated and almost intimidating to many users. Furthermore, many users perceive them as potential threats to their own jobs as more and more managerial functions become automated. Finally, it is financially more difficult for a market research supplier to offer these products. They require a considerably higher degree of capitalization along with a high degree of risk of failure.

Library research, field experiments research, and data analysis research are likely to be medium in business attractiveness. In terms

of capability, they are not as complex or difficult products as simulation research and mathematical modeling research, but at the same time, the state of the art is not as well known as survey research and qualitative research. Similarly, the financial outlay and capitalization requirements are not as big as in simulation and model building research, but they are often considerably more than qualitative research and survey research especially in terms of the flexibility of subcontracting field work in the latter types of market research.

After examining each research product in terms of demand-centered and supply-centered factors, it is now possible to examine the interaction of the supply and the demand factors. This will enable us to speculate about the future of market research in general, and each market research product in particular. This is labeled as product portfolio analysis and it is summarized in Table 1.

It is obvious that the future growth of market research is likely to come from those research products which are identified as both high on business attractiveness and high on future growth. This includes the three boxes on the upper left hand corner of the matrix consisting of qualitative research, data analysis research and audit research. On the other hand, growth in market research is least likely to come from those research products which are identified as both low in business attractiveness and low on future growth. This includes the three boxes on the lower right hand corner of the matrix consisting of mathematical model building research, library research and psychophysical research. In between, growth in market research will come on a selective basis from those research products which are high on business attractiveness but low on future growth and vice versa. These include the three off-diagonal boxes in the matrix consisting of survey research, field experiments research and heuristic simulation research.

PORTFOLIO ANALYSIS OF RESEARCH MARKETS

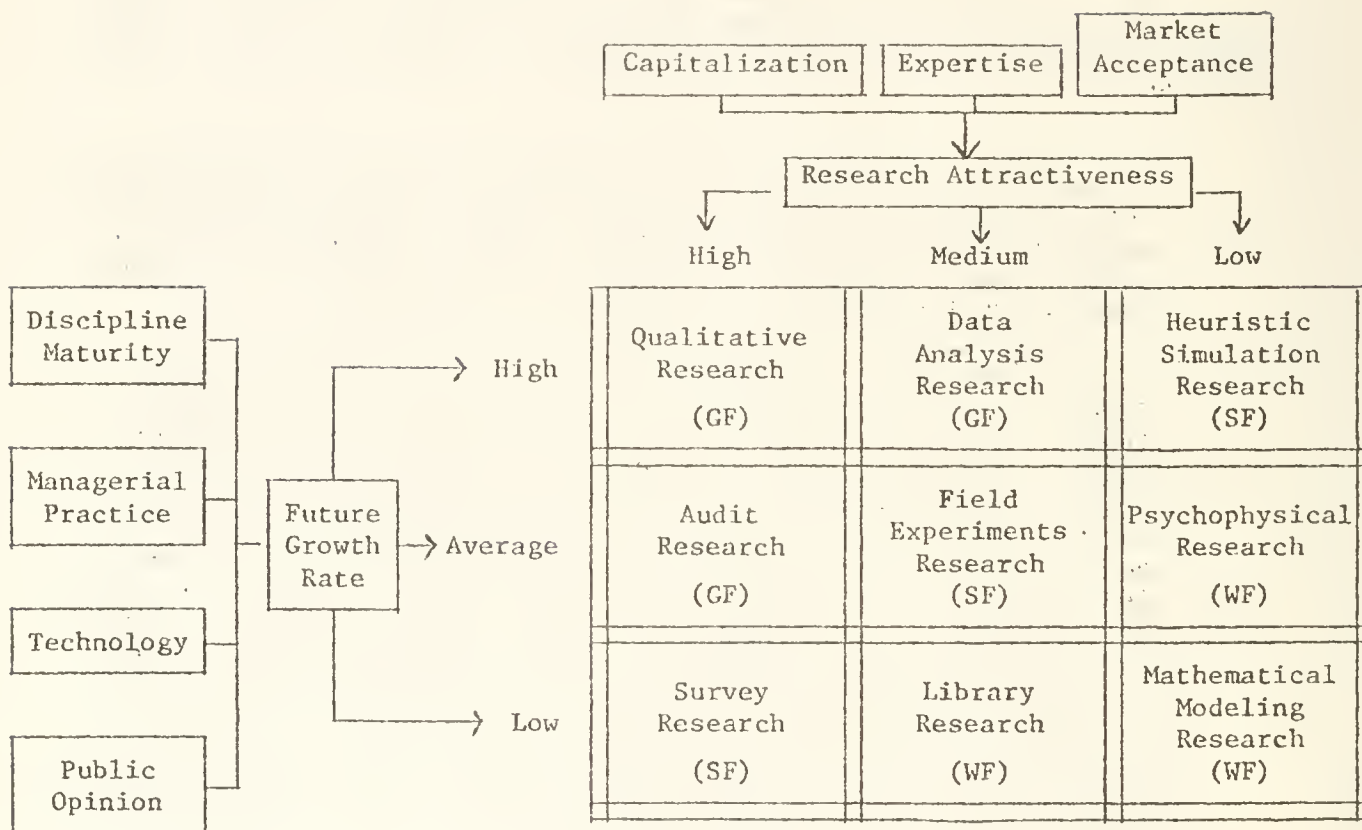A similar analysis can be made of research markets. Due to the limitations of space, I will only summarize the analysis of research markets in this section.

We can classify various research markets as follows:

1. Social Problems
2. Consumer Behavior
3. Forecasting & Planning
4. New Concept Testing
5. Advertising Copy
6. Mass Media
7. Test Marketing
8. Professional Services
9. Cross-National Marketing

Table 1

PORTFOLIO ANALYSIS OF MARKET RESEARCH PRODUCTS

| | Capitalization | Expertise | Market Acceptance |

Research Attractiveness

	High	Medium	Low
High	Qualitative Research (GF)	Data Analysis Research (GF)	Heuristic Simulation Research (SF)
Average	Audit Research (GF)	Field Experiments Research (SF)	Psychophysical Research (WF)
Low	Survey Research (SF)	Library Research (WF)	Mathematical Modeling Research (WF)

Discipline Maturity
Managerial Practice
Technology
Public Opinion
→ Future Growth Rate

GF = Good Future
SF = Selective Future
WF = Weak Future

10. Promotion Management
11. Retail Management
12. Pricing Policy
13. Distribution Management
14. Small Business
15. Industrial Marketing

Based on the analysis of potential need for research as a function of importance of decision, accountability and prior knowledge as well as the cost-benefit effectiveness as a function of cost, difficulty to research the area and acceptance of market research, we can identify how demand for market research is likely to shift from the traditional markets to newer markets. The analysis is summarized in Table 2.

It will be noted that the future growth of market research is most likely to come from the three boxes on the left hand corner of the matrix consisting of social problems, professional services, new concepts testing, cross-national marketing, promotion management, mass media management, and industrial marketing.

The future growth of market research is less likely to come from distribution management, pricing management, and test marketing.

In between, market research is likely to grow selectively in consumer behavior, retailing, copy testing, and small business markets.
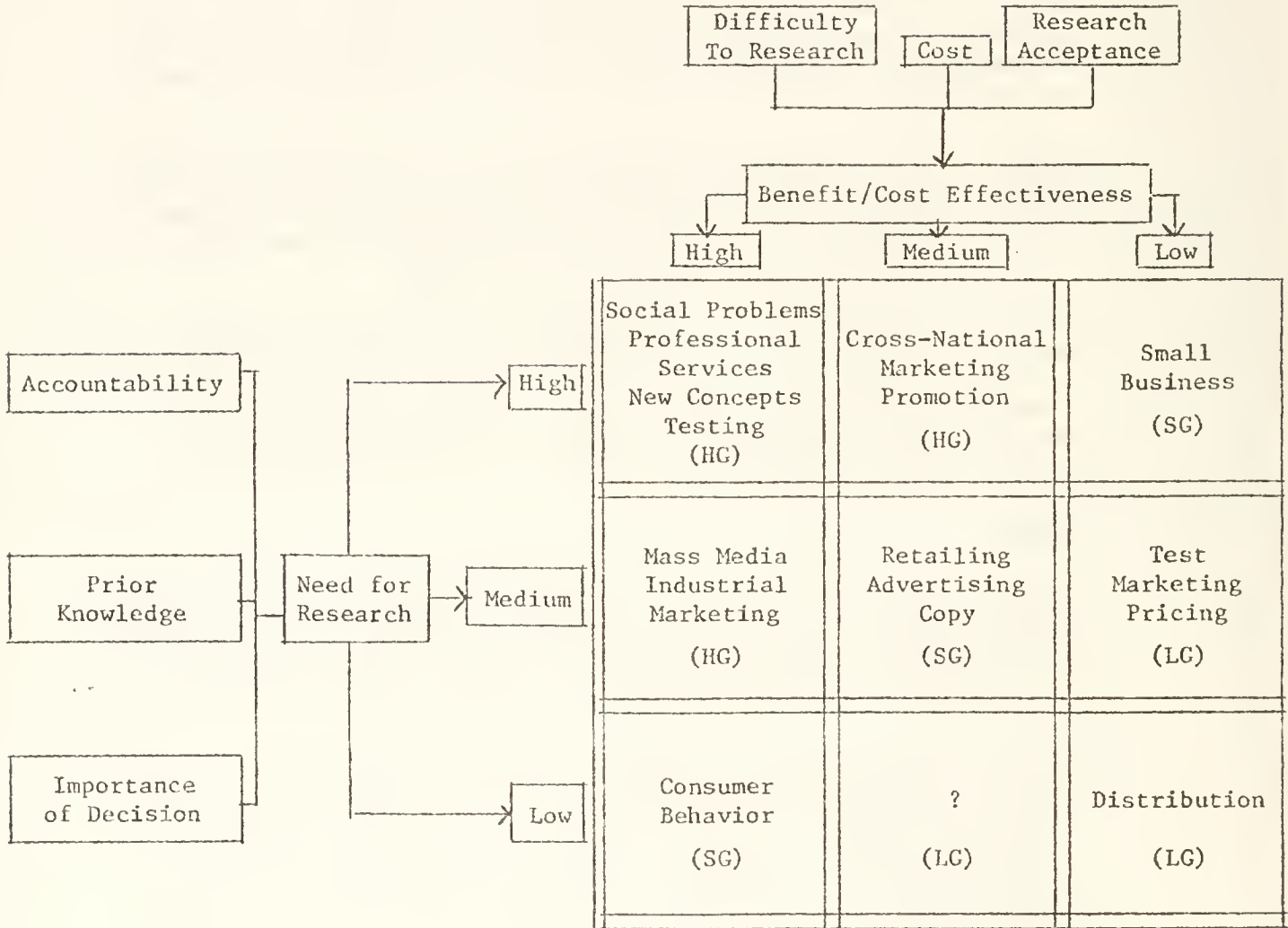
SUMMARY

In summary, the future of market research seems bright. This is to be expected in view of the fact that market research is a post-war phenomenon only. However, our analysis clearly indicates that the future growth of market research is not likely to be uniform across all techniques (products) and all applications (markets).

Based on the interaction of demand and supply factors, it is suggested that qualitative research, data analysis research and audit research are likely to lead in terms of future growth in market research. A similar analysis of market research applications suggests that the future growth is likely to come from areas of social problems, professional services, new concepts testing as well as multinational marketing, promotion management, media management and industrial marketing.

While the future of market research is bright, it is important to recognize that market research is likely to face competition from other research entities and disciplines in the above high growth markets and products. For example, we should anticipate clinical psychology to enter the qualitative research arena, computer analysts to enter the data analysis research arena and public opinion

Table 2

PORTFOLIO ANALYSIS OF RESEARCH MARKETS

	Benefit/Cost Effectiveness		
	High	Medium	Low
High	Social Problems Professional Services New Concepts Testing (HG)	Cross-National Marketing Promotion (HG)	Small Business (SG)
Medium	Mass Media Industrial Marketing (HG)	Retailing Advertising Copy (SG)	Test Marketing Pricing (LG)
Low	Consumer Behavior (SG)	? (LG)	Distribution (LG)

Accountability — Prior Knowledge — Importance of Decision → Need for Research → High / Medium / Low

HG = High Growth

SG = Selective Growth

LG = Low Growth

corporations to enter the audit research. Similarly, we should
anticipate sociologists and psychologists to provide research ex-
pertise in the area of social problems, as well as communications
experts to extend themselves in the areas of mass media, promotion
and copy research. Hopefully, market researchers will have the re-
search ethics and integrity as well as business expertise to suc-
cessfully compete with other researchers and retain its share of
the research market.

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